



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

APR - 1 2009

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Addition of Budget Bill Item 4120-011-0001 and Amendment to Budget Bill Items
4120-001-0001 and 4120-001-3137, Support, Emergency Medical Services Authority**

It is requested that Item 4120-011-0001 be added to provide a General Fund loan in the amount of \$1,764,000 to the Emergency Medical Services Authority (EMSA). This loan will enable the EMSA to comply with Chapter 274, Statutes of 2008 (AB 2917) which requires the EMSA to establish emergency medical technician certification and disciplinary guidelines and to implement a centralized information technology system for monitoring emergency medical technician certification status. This loan is to be repaid to the General Fund by June 30, 2018.

It is further requested that Item 4120-001-3137 be increased by \$1,521,000 to provide funding for the establishment and implementation of a centralized system for monitoring and tracking emergency medical technician certification status in compliance with Chapter 274 (AB 2917), and that Item 4120-001-0001 be amended to reflect this change.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call John Wordlaw, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzosa, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Mark Leno, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Jerry Hill, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Mr. Russ Guarna, Deputy Director, Office of the Chief Information Officer
Ms. Alicia Alvarado, Oversight Manager, Office of the Chief Information Officer
Mr. Dan Smiley, Chief Deputy Director, Emergency Medical Services Authority
Mr. Rick Trussell, Chief of Administration, Emergency Medical Services Authority



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Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Items 4170-001-0001 and 4170-001-0890, Support, California
Department of Aging**

It is requested that Item 4170-001-0890 be increased by \$410,000 on a one-time basis in fiscal year 2009-10, and that Item 4170-001-0001 be amended to reflect this change. The purpose of the increase is to provide sufficient authority to administer and spend existing federal grants for California's Health Insurance Counseling and Advocacy Program.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call John Wordlaw, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

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Chief Deputy Director

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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Ms. Megan Juring, Assistant Secretary, Health and Human Services Agency
Ms. Diane Paulsen, Deputy Director, Administration, Department of Aging
Mr. Scott Maple, Fiscal Branch Manager, Department of Aging



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Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 4200-001-3146, Support, Department of Alcohol and Drug Programs

Adjust Expenditure Authority for Licensing and Certification (Issue 051)—It is requested that Budget Bill language be added to Item 4200-001-3146 to increase expenditure authority from the Residential and Outpatient Program Licensing Fund and correspondingly decrease General Fund and/or Substance Abuse Treatment Trust Fund support for the licensing and certification activities of the Department of Alcohol and Drug Programs (DADP), subject to approval by the Department of Finance and notification to the Legislature. This language will allow the DADP to maximize the use of licensing and certification fees paid by alcohol and drug abuse treatment providers, decrease General Fund expenditures, and redirect Substance Abuse Treatment Trust Fund monies from licensing activities to local assistance. The proposed language is included in Attachment I.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jay Kapoor, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

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Attention: Mr. Geoff Long, Chief Consultant
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Honorable Jerry Hill, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Mr. Andrew Signey, Assistant Secretary, Health and Human Services Agency
Mr. Michael Cunningham, Chief Deputy Director, Department of Alcohol and Drug Programs
Ms. Susan Lussier, Deputy Director, Division of Administration, Department of Alcohol and Drug Programs

Adjust Expenditure Authority for Licensing and Certification

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Add the following provision to Item 4200-001-3146:

- X. Notwithstanding any other provision of law, if the Department of Alcohol and Drug Programs (DADP) determines that sufficient licensing and certification fees, in excess of a prudent reserve, have been collected and deposited into the Residential and Outpatient Program Licensing Fund, it may submit a request to the Department of Finance, not later than April 15, 2010, to increase Item 4200-001-3113 and decrease Item 4200-001-0001 and/or Item 4200-001-3019 by a like amount. Any decrease to Item 4200-001-0001 shall immediately revert to the General Fund. Any decrease to Item 4200-001-3019 shall revert to the Substance Abuse Treatment Trust Fund and be reallocated to local assistance. Total expenditures for DADP's licensing and certification activities shall not exceed the amount appropriated in this act, except as approved by the Legislature for workload adjustments. The Department of Finance shall not approve any request from DADP made pursuant to this provision sooner than 30 days after notification in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairperson of the joint committee, or his or her designee, may in each instance determine.

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Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Items 4260-001-0001, 4260-001-0236, 4260-001-0890, 4260-111-0001, 4260-111-0236 and Reimbursements, Support and Local Assistance, Health Care Services

Redirection of Funding for the Expanded Access to Primary Care Program (Issue 306)—It is requested that \$200,000 from Item 4260-001-0236 be redirected, on an ongoing basis, to Item 4260-111-0236 to pay additional administrative costs of processing uncompensated care visit claims generated by community clinics participating in the Expanded Access to Primary Care Program. This redirection would provide funding to cover claims processing costs without adversely impacting support services. It is further requested that Items 4260-001-0001 and 4260-111-0001 be amended to reflect these changes.

Adjustment to Federal Match for Skilled Professional Medical Personnel (Issue 308)—It is requested that Item 4260-001-0001 be increased by \$2,756,000 and Item 4260-001-0890 be decreased by \$2,756,000 to reflect an adjustment in the federal match for personnel costs. Federal statute provided for a federal reimbursement of 25 percent state and 75 percent federal funding ratio for Skilled Professional Medical Personnel costs. A recent federal audit found that certain personnel costs related to administrative activities did not qualify for the 25/75 rate and should instead be charged at a 50/50 state and federal fund ratio. The proposed funding would replace the lost federal dollars allowing the department to maintain its current staffing levels and savings expected from the associated workload.

Development and Implementation of Mental Health Services Supplemental Payment Program (Issue 309)—It is requested that Item 4260-001-0001 be amended by increasing Reimbursements by \$50,000 and Item 4260-001-0890 be increased by \$51,000 to establish 1.0 permanent, full-time position to develop and implement the Mental Health Services Supplemental Payment Program. The program would authorize County Mental Health Plans to submit certified public expenditures to the Department of Health Care Services (DHCS) for purposes of claiming federal financial participation to reimburse and supplement counties for their costs of mental health services to Medi-Cal beneficiaries. The supplemental payment will consist of the difference between the current fee-for-service rate being paid for these services and the actual costs to the counties to provide mental health services. Trailer bill language (Attachment A) is proposed to authorize DHCS to implement the program and to seek federal approval to provide supplemental reimbursement to County Mental Health Plans.

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It is further requested that the following provisional language be added to Item 4260-001-0001:

- X. The use of \$50,000 in Schedule (1) of this item is for a full-time position to develop and implement the Mental Health Services Supplemental Payment Program is contingent upon the receipt of county funding and federal matching to support it.

Delay Implementation of California Discount Prescription Drug Program—Due to the current fiscal situation, it is requested that trailer bill language (Attachment B) be added to continue to delay until at least July 1, 2010, the implementation of the California Discount Prescription Drug Program (Program) authorized by Chapter 619, Statutes of 2006 (AB 2911). The Program is expected to use manufacturer rebates and pharmacy discounts to reduce prescription drug prices and improve the quality of health care for eligible Californians. However, DHCS advises that pharmacies, pharmacy benefit management companies, and drug manufacturers have taken steps in recent years to help improve access to prescription drugs for individuals with relatively low-incomes.

Exclude State Owned Hospitals from Open Health Facility Planning Areas—It is requested that trailer bill language (Attachment C) be added to technically clarify that state owned and operated hospitals are not to be counted in open health facility planning areas when determining what hospitals in those areas would be subject to reductions of payments for reimbursement of inpatient hospital services for Medi-Cal beneficiaries. This proposal is consistent with the intent of current state policy, yet DHCS requested technical cleanup on this matter. The February 2009 Budget Act did not include savings generated by reducing rates for the public hospitals that otherwise would be adversely affected.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jan Lapanja, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

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Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Mr. Bob Sands, Assistant Secretary, Health and Human Services Agency
Mr. Toby Douglas, Chief Deputy Director, Health Care Programs, Department of
Health Care Services
Ms. Karen Johnson, Chief Deputy Director, Policy & Program Support, Department
of Health Care Services
Mr. John Eastman, Deputy Director, Administration, Department of Health Care
Services
Ms. Loretta Wallis, Chief, Fiscal Forecasting and Data Management Branch,
Department of Health Care Services

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DHCS Suggested TBL**Add authority for County Mental Health Plans to Submit
Certified Public Expenditures for Federal Claiming**

Section 5783 is added to the Welfare and Institutions Code, to read:

5783. (a) Each eligible county, as described in subdivision (b), may, in addition to reimbursement or other payments that the county would otherwise receive for Medi-Cal specialty mental health services, receive supplemental Medi-Cal reimbursement to the extent provided in this section.

(b) A county shall be eligible for supplemental reimbursement only if the county has all of the following characteristics continuously during a state fiscal year:

(1) Provides specialty mental health services to Medi-Cal beneficiaries and is reimbursed for those services as described in subdivision (a) of Section 5778.

(2) Operates a mental health plan (MHP) as a mental health plan contractor pursuant to this part.

(c) An eligible county's supplemental reimbursement pursuant to this section shall be calculated and paid as follows:

(1) The supplemental reimbursement to an eligible county, as described in subdivision (b), shall be equal to the amount of federal financial participation received as a result of the claims submitted pursuant to paragraph (2) of subdivision (f).

(2) In no instance shall the expenditures certified pursuant to paragraph (1) of subdivision (e), when combined with the amount received from other sources of payment and with reimbursement from the Medi-Cal program, including expenditures otherwise certified for purposes of claiming federal financial participation, exceed 100 percent of actual costs, as determined pursuant to California's Medicaid State Plan, for specialty mental health services in each county.

(3) The supplemental Medi-Cal reimbursement provided by this section shall be distributed under a payment methodology based on specialty mental health services provided to Medi-Cal patients by each eligible county, on a per-visit basis, a per-procedure basis, a time basis, or any other federally permissible basis. The Department of Health Care Services shall seek approval from the federal Centers for Medicare and Medicaid Services for the payment methodology to be utilized, and may not make any payment pursuant to this section prior to obtaining that approval.

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(d)(1) It is the intent of the Legislature in enacting this section to provide the supplemental reimbursement described in this section without any expenditure from the General Fund. The department or the Department of Health Care Services may require an eligible county, as a condition of receiving supplemental reimbursement pursuant to this section, to enter into, and maintain, an agreement with the department for the purposes of implementing this section and reimbursing the department and the Department of Health Care Services for the costs of administering this section.

(2) County expenditures submitted to the department and to the Department of Health Care Services for purposes of claiming federal financial participation shall have been paid only with funds from the governmental entities described in subdivision (b) and certified to the state as provided in subdivision (e).

(e) A particular county, described in subdivision (b), shall do all of the following:

(1) Certify, in conformity with the requirements of Section 433.51 of Title 42 of the Code of Federal Regulations, that the claimed expenditures for the specialty mental health services are eligible for federal financial participation.

(2) Provide evidence supporting the certification as specified by the department and by the Department of Health Care Services.

(3) Submit data as specified by the department to determine the appropriate amounts to claim as expenditures qualifying for federal financial participation.

(4) Keep, maintain, and have readily retrievable, any records specified by the department and by the Department of Health Care Services to fully disclose reimbursement amounts to which the eligible facility is entitled, and any other records required by the federal Centers for Medicare and Medicaid Services.

(f)(1) The Department of Health Care Services shall promptly seek any necessary federal approvals for the implementation of this section. If necessary to obtain federal approval, the program shall be limited to those costs that are allowable expenditures under Title XIX of the federal Social Security Act (Subchapter 19 (commencing with Section 1396) of Chapter 7 of Title 42 of the United States Code). If federal approval is not obtained for implementation of this section, this section shall not be implemented.

(2) The Department of Health Care Services shall submit claims for federal financial participation for the expenditures for the services described in subdivision (e) that are allowable expenditures under federal law.

(3) The Department of Health Care Services shall, on an annual basis, submit any necessary materials to the federal Centers for Medicare and Medicaid Services to provide assurances that claims for federal financial participation will include only those expenditures that are allowable under federal law.

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(4) The department shall collaborate with the Department of Health Care Services to insure that the department's policies, procedures, data, and other relevant materials are available to the Department of Health Care Services as may be required for the implementation and administration of this section and for claiming of federal financial participation.

California Department of Health Care Services Proposed Trailer Bill Language APR - 1 2001
Delay of the CA Discount Prescription Drug Program
Version: 3-26-09

Section 130500 of the Health and Safety Code is amended to read:

130500. (a) This division shall be known, and may be cited, as the California Discount Prescription Drug Program.

(b) The provisions of this division shall become effective on or after July 1, 2010.

Section 130507 of the Health and Safety Code is amended to read:

130507. (a) On ~~August 1, 2010~~ **August 1, 2013**, the department shall determine whether manufacturer participation in the program has been sufficient to meet both of the following benchmarks:

(1) The number and type of drugs available through the program are sufficient to give eligible Californians a formulary comparable to the Medi-Cal list of contract drugs or, if this information is

available to the department, a formulary comparable to that provided to CalPERS enrollees.

(2) The volume weighted average discount of single-source prescription drugs offered pursuant to this program is equal to or below any one of the benchmark prices described in subdivision (a) of

Section 130506.

(b) On and after ~~August 10, 2010~~ **August 10, 2013**, the department shall reassess program outcomes, at least once every year, consistent with the benchmarks described in subdivision (a).

Section 130509 of the Health and Safety Code is amended to read:

130509. (a) The department may require prior authorization in the Medi-Cal program for any drug of a manufacturer if the manufacturer fails to agree to a volume weighted average discount for

single-source prescription drugs that is equal to or below any one of the benchmark prices described in subdivision (a) of Section 130506 and only to the extent that this requirement does not increase costs

to the Medi-Cal program, as determined pursuant to subdivision (c).

(b) If prior authorization is required for a drug pursuant to this section, a Medi-Cal beneficiary shall not be denied the continued use of a drug that is part of a prescribed therapy until that drug is

no longer prescribed for that beneficiary's therapy. The department shall approve or deny requests for prior authorization necessitated by this section as required by state or federal law.

(c) The department, in consultation with the Department of Finance, shall determine the fiscal impact of placing a drug on prior authorization pursuant to this section. In making this determination, the department shall consider all of the following:

(1) The net cost of the drug, including any rebates that would be lost if the drug is placed on prior authorization.

(2) The projected volume of purchases of the drug, before and after the drug is placed on prior authorization, considering the continuity of care provisions set forth in subdivision (b).

(3) The net cost of comparable drugs to which volume would be shifted if a drug is placed on prior authorization, including any additional rebates that would be received.

(4) The projected volume of purchases of comparable drugs, before and after the drug is placed on prior authorization.

(5) Any other factors determined by the department to be relevant to a determination of the fiscal impact of placing a drug on prior authorization.

(d) This section shall be implemented only to the extent permitted under federal law, and in a manner consistent with state and federal laws.

(e) This section may apply to any manufacturer that has not negotiated with the department.

(f) The department shall notify the Speaker of the Assembly and the President pro Tempore of the Senate that the department is requiring prior authorization no later than five days after making this requirement.

(g) (1) Subject to paragraph (2), this section shall become operative on ~~August 1, 2010~~ **August 1, 2013**.

(2) This section shall become operative only if the department determines that participation by manufacturers has been insufficient to meet both of the benchmarks identified in Section 130507.

Section 130543 of the Health and Safety Code is amended to read:

130543. (a) The director may adopt regulations as are necessary to implement and administer this division.

(b) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the director may implement this division, in whole or in part, by means of a

provider bulletin or other similar instructions, without taking regulatory action, provided that no bulletin or other similar instructions shall remain in effect after ~~August 1, 2011~~ **August 1, 2014**. It is the

intent that regulations adopted pursuant to this section shall be adopted on or before ~~August 1, 2011~~ **August 1, 2014**.

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DHCS Proposed Amendments to W&I Code Section 14166.245**Technical assistance to Exclude State Hospitals from Hospital Count in Open HHPA's**

Section 14166.245 of the Welfare and Institutions Code is amended, to read:

14166.245. (a) The Legislature finds and declares that the state faces a fiscal crisis that requires unprecedented measures to be taken to reduce General Fund expenditures to avoid reducing vital government services necessary for the protection of the health, safety, and welfare of the citizens of the State of California.

(b)(1) Notwithstanding any other provision of law, except as provided in Article 2.93 (commencing with Section 14091.3), for hospitals that receive Medi-Cal reimbursement from the State Department of Health Care Services and are not under contract with the State Department of Health Care Services pursuant to Article 2.6 (commencing with Section 14081) of Chapter 7 of Part 3 of Division 9, the amounts paid as interim payments for inpatient hospital services provided on and after July 1, 2008, shall be reduced by 10 percent.

(2)(A) Beginning on October 1, 2008, amounts paid that are calculated pursuant to paragraph (1) shall not exceed the applicable regional average per diem contract rate for tertiary hospitals and for all other hospitals established as specified in subparagraph (C), reduced by 5 percent, multiplied by the number of Medi-Cal covered inpatient days for which the interim payment is being made.

(B) This paragraph shall not apply to small and rural hospitals specified in Section 124840 of the Health and Safety Code, or to hospitals in open health facility planning areas that were open health facility planning areas on October 1, 2008, unless either of the following apply:

(i) The open health facility planning area at any time on or after July 1, 2005, was a closed health facility planning area as determined by the California Medical Assistance Commission.

(ii) The open health facility planning area has three or more hospitals with licensed general acute care beds. State owned and operated hospitals shall not be included in determining whether this clause shall apply.

(C)(i) For purposes of this subdivision and subdivision (c), the average regional per diem contract rates shall be derived from unweighted average contract per diem rates that are publicly available on June 1 of each year, trended forward based on the trends in the California Medical Assistance Commission's Annual Report to the Legislature. For tertiary hospitals, and for all other hospitals, the regional average per diem contract rates shall be based on the geographic regions in the California Medical Assistance Commission's Annual Report to the Legislature. The applicable average regional per diem contract rates for tertiary hospitals and for

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all other hospitals shall be published by the department on or before October 1, 2008, and such rates shall be updated annually for each state fiscal year and shall become effective each July 1, thereafter. Supplemental payments shall not be included in this calculation.

(ii) For purposes of clause (i), both the federal and non-federal share of the designated public hospital cost-based rates shall be included in the determination of the average contract rates by multiplying the hospital's interim rate, established pursuant to Section 14166.4 and that is in effect on June 1 of each year, by two.

(iii) For the purposes of this section, a tertiary hospital is a children's hospital specified in Section 10727, or a hospital that has been designated as a Level I or Level II trauma center by the Emergency Medical Services Authority established pursuant to Section 1797.1 of the Health and Safety Code.

(D) For purposes of this section, the terms "open health facility planning area" and "closed health facility planning area" shall have the same meaning and be applied in the same manner as used by the California Medical Assistance Commission in the implementation of the hospital contracting program authorized in Article 2.6 (commencing with Section 14081).

(c)(1) Notwithstanding any other provision of law, for hospitals that receive Medi-Cal reimbursement from the State Department of Health Care Services and are not under contract with the State Department of Health Care Services, pursuant to Article 2.6 (commencing with Section 14081), the reimbursement amount paid by the department for inpatient services provided to Medi-Cal recipients for dates of service on and after July 1, 2008, shall not exceed the amount determined pursuant to paragraph (3).

(2) For purposes of this subdivision, the reimbursement for inpatient services includes the amounts paid for all categories of inpatient services allowable by Medi-Cal. The reimbursement includes the amounts paid for routine services, together with all related ancillary services.

(3) When calculating a hospital's cost report settlement for a hospital's fiscal period that includes any dates of service on and after July 1, 2008, the settlement for dates of service on and after July 1, 2008, shall be limited to the lesser of the following:

(A) Ninety percent of the hospital's audited allowable cost per day for those services multiplied by the number of Medi-Cal covered inpatient days in the hospital's fiscal year on or after July 1, 2008.

(B) Beginning for dates of service on and after October 1, 2008, the applicable average regional per diem contract rate established as specified in subparagraph (A) of paragraph (2) of subdivision (b), reduced by 5 percent, multiplied by the number of Medi-Cal covered inpatient days in the hospital's fiscal year, or portion thereof. This subparagraph shall not apply to small and rural hospitals specified in Section 124840 of the Health and Safety Code, or to hospitals in open health facility planning areas that were open health facility planning areas on July 1, 2008, unless either of the following apply:

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(i) The open health facility planning area at any time on or after July 1, 2005, was a closed health facility planning area as determined by the California Medical Assistance Commission.

(ii) The open health facility planning area has ~~more than~~ three or more hospitals with licensed general acute care beds. State owned and operated hospitals shall not be included in determining whether this clause shall apply.

(d) Except as provided in Article 2.93 (commencing with Section 14091.3), hospitals that participate in the Selective Provider Contracting Program pursuant to Article 2.6 (commencing with Section 14081) and designated public hospitals under Section 14166.1, except Los Angeles County Martin Luther King, Jr./Charles R. Drew Medical Center and Tuolumne General Hospital, shall be exempt from the limitations required by this section.

(e) Notwithstanding the rulemaking provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the director may implement and administer this section by means of provider bulletins, or other similar instructions, without taking regulatory action.

(f) The director shall promptly seek all necessary federal approvals in order to implement this section, including necessary amendments to the state plan.

(g) Notwithstanding any other provision of this section, small and rural hospitals, as defined in Section 124840 of the Health and Safety Code, shall be exempt from the payment reductions set forth in this section for dates of service on and after November 1, 2008.

(h) For hospitals that are subject to clauses (i) and (ii) of subparagraph (B) of paragraph (2) of subdivision (b) and that choose to contract pursuant to Article 2.6 (commencing with Section 14081), the California Medical Assistance Commission shall negotiate rates taking into account factors specified in Section 14083.

(i) (1) In January 2010 and in January 2011, the department and the California Medical Assistance Commission shall submit a written report to the policy and fiscal committees of the Legislature on the implementation and impact of the changes made by this section, including, but not limited to, the impact of those changes on the number of hospitals that are contract and noncontract, patient access, and cost savings to the state.

(2) On or before January 1, 2012, the department, in consultation with the California Medical Assistance Commission, shall report on the implementation of this section. The report shall include, but not be limited to, information and analyses addressing patient access, capacity and needs within the health facility planning area, reimbursement of hospital costs, changes in the number of open and closed health facility planning areas, the impact of this section on the extent of hospital contracting, and fiscal impact on the state.

(j) This section shall remain in effect only until January 1, 2013, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2013, deletes or extends that date.



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Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support, Department of Public Health

Lead-Related Construction Program Funding (Issue 001)—It is requested that Item 4265-001-0001 be increased by \$500,000 General Fund to support the Lead-Related Construction (LRC) program. The 2008 Budget Act eliminated all General Fund support, totaling \$1.0 million for the program. However, the program generates annual fee revenues of \$500,000 that are deposited directly into the General Fund. This request will allow Department of Public Health (Department) to spend the current level of General Fund revenues in support of the LRC program. Additionally, these funds will allow the state to draw down matching federal funds.

Infection Surveillance, Prevention, and Control Program (Issue 053)—It is requested that Item 4265-001-3098 be increased by \$1,452,000 Licensing and Certification Program Fund and that Item 4265-001-0001 be amended to reflect this change. These funds will be used to establish 11.0 permanent positions to support a healthcare-associated infection, surveillance, prevention, and control program pursuant to the requirements of Chapter 526, Statutes of 2006 and Chapters 294 and 296, Statutes of 2008.

Technical Adjustment: Genetic Disease Screening Program (Issue 054)—It is requested that Item 4265-001-0203 be increased by \$437,000 Genetic Disease Testing Fund and that Item 4265-001-0001 be amended to reflect this change. This adjustment is needed to restore the base funding level in the February 2009 Budget Act that was inadvertently deleted when creating a new local assistance item for the Genetic Disease Screening Program. The error was discovered subsequent to enactment of the February 2009 Budget Act.

California Electronic Death Registration System (Issue 056)—It is requested that Item 4265-001-0099 be decreased by \$212,000 Health Statistics Special Fund and that Item 4265-001-0001 be amended to reflect this change. This adjustment reflects a decrease of \$1,071,000 associated with several external contracts, partially offset by an increase of \$859,000 to convert 9.0 limited-term positions (expiring June 30, 2009) to permanent status. These changes are necessary to address shifting workload demands related to the statewide electronic death registration system.

APR 01 2009

Enterprise-wide Online Licensing Project (Issue 057)—Increase expenditures from the Public Water System, Safe Drinking Water State Revolving Fund (Fund 7500) by \$174,000 to establish 2.0 two-year limited-term positions for continued implementation of the Enterprise-wide Online Licensing (EOL) Project. This approved project is currently in the development stage. Upon completion, the EOL system will replace portions of 37 aging systems and manual processes for license applications, approvals, proficiency testing, billing, and enforcement activities of the program areas within the Department. Health and Safety Code Section 116760.42(b)(3) provides for the continuous appropriation of the Public Water System, Safe Drinking Water State Revolving Fund as allowed by federal law.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jay Kapoor, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST

Director

By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS

Chief Deputy Director

Attachment

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzoia, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Mark Leno, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Jerry Hill, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Ms. Trina Gonzalez, Assistant Secretary, Health and Human Services Agency
Dr. Bonita Sorensen, Chief Deputy Director of Policy and Programs, Department of Public Health
Mr. Stephen Kessler, Chief Deputy Director of Operations, Department of Public Health
Mr. Jose Ortiz, Deputy Director, Administration Division, Department of Public Health



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ARNOLD SCHWARZENEGGER, GOVERNOR

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APR 01 2009

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Item 4270-001-0001 and Reimbursements, Support, California Medical Assistance Commission

Increase Reimbursement Authority to Maximize Receipt of Federal Funds (Issue 300)—It is requested that Item 4270-001-0001 be amended by increasing Reimbursements by \$29,000 for contract negotiation activities. The California Medical Assistance Commission (CMAC) negotiates contracts for the Selective Provider Contracting Program and Geographic Managed Care programs within the Medi-Cal program. This adjustment is necessary in order for the Department of Health Care Services, which administers the Medi-Cal program, reimburse CMAC for activities which are eligible for federal funds thus maximizing the receipt of federal funds.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jan Lapanja, Principal Program Budget Analyst, at (916) 445 6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

APR 01 2009

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
Attention: Mr. Bob Franzosa, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
Attention: Mr. Peter Schaafsma, Staff Director
Honorable Mark Leno, Chair, Senate Budget and Fiscal Review Subcommittee No. 3
Honorable Jerry Hill, Chair, Assembly Budget Subcommittee No. 1
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Keith Berger, Executive Director, California Medical Assistance Commission
Ms. Karen Johnson, Chief Deputy Director, Policy and Program Support, Department of Health
Care Services
Mr. John Eastman, Deputy Director, Administration, Department of Health Care Services



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APR 01 2009

Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Items 4440-001-0001 and 4440-001-3085, Support,
4440-101-0001, 4440-101-3085 and Reimbursements, Local Assistance, Department of
Mental Health**

California Health Information Survey, Mental Health Component (Issue 003)—It is requested that Item 4440-001-3085 be increased by \$1,264,000 Mental Health Services Fund (MHSF) and Item 4440-001-0001 be amended to reflect this change. This funding provides for development and dissemination of the mental health questions included in the California Health Information Survey of 2009 (CHIS). In addition to existing CHIS authority of \$304,000 MHSF, the augmentation will fully fund the mental health component of the CHIS (\$1,568,000 MHSF). The CHIS is a biennial telephone survey of more than 50,000 individuals, to gather data on the health status, behaviors, and mental health of Californians. These surveys are used by researchers, to develop training and professional presentations, by counties to estimate need for and range of services, and to assess matters of mental health services stigma and utilization.

Technical Adjustment to Accurately Reflect Program Reimbursement Source (Issue 319)— It is requested that the Mental Health Services Act local assistance program Schedule (5) of Item 4440-101-0001 be eliminated, and Reimbursements be decreased by \$40.0 million. It is further requested that Schedule (1) of Item 4440-101-3085 be increased by \$40.0 million and county reimbursements be added to reflect this increase. This technical adjustment is to accurately reflect Reimbursements from county Mental Health Services Act funds to Department of Mental Health. These funds are provided by counties to augment a variety of statewide programs, including student mental health and suicide prevention.

The effect of my requested action is reflected on the attachment.

APR 01 2009

If you have any questions or need additional information regarding this matter, please call John Doyle, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: Honorable Christine Kehoe, Chair, Senate Appropriations Committee
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Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
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Honorable Roger Niello, Vice Chair, Assembly Budget Committee
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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Michael Wilkening, Undersecretary, Health and Human Services Agency
Mr. Jim Alves, Assistant Secretary, Health and Human Services Agency
Dr. Stephen W. Mayberg, Director, Department of Mental Health
Mr. Stan Bajorin, Acting Chief Deputy Director, Department of Mental Health
Ms. Jane Christopherson, Chief, Fiscal Policy, Department of Mental Health



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Honorable Denise Moreno Ducheny, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Danny Alvarez, Staff Director (2)

Honorable Noreen Evans, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

**Amendment to Budget Bill Item 5180-001-0001 and Reimbursements, Support,
Department of Social Services**

State Hearing Caseload Growth (Issue 001)—It is requested that Item 5180-001-0001 be increased by \$510,000 and Reimbursements be increased by \$418,000. This request will fund caseload growth for the Department of Social Services' (DSS) State Hearings Division. The DSS is required to provide state hearings for the California Work Opportunity and Responsibility to Kids, Food Stamp, Medi-Cal, Foster Care, and In-Home Supportive Services (IHSS) programs. The resources will support 7.0 existing, but unfunded, positions in the DSS.

Conlan v. Shewry (Conlan II) Court Order (Issue 002)—It is requested that Item 5180-001-0001 be increased by \$114,000 and Reimbursements be increased by \$114,000. These funds will be used to convert to permanent 1.0 limited-term position and to establish 2.0 new permanent positions to ensure ongoing compliance with the Conlan II court decision. These positions will allow the DSS to meet court mandates, which require the department within 120 days of receipt to review and determine the validity of claims by IHSS recipients for reimbursement of out-of-pocket expenses for medically necessary services.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call John Fitzpatrick, Principal Program Budget Analyst, at (916) 445-6423.

MICHAEL C. GENEST
Director
By:

/s/ Ana J. Matosantos

ANA J. MATOSANTOS
Chief Deputy Director

Attachment

cc: On following page

APR 01 2009

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Attention: Mr. Bob Franzola, Staff Director
Honorable Bob Dutton, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Kevin de Leon, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Roger Niello, Vice Chair, Assembly Budget Committee
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Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office
Mr. Pete Cervinka, Assistant Secretary, Health and Human Services Agency
Mr. Eric Fujii, Deputy Director, Administration Division, Department of Social Services
Mr. Brian Dougherty, Chief, Budget Bureau, Department of Social Services